

Message Text

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SUBJECT: HARMONIZATION OF EC BANKING REGULATIONS -- STATUS OF
COMMISSION'S DRAFT DIRECTIVE

REF: A. EC BRUSSELS 2657, B. EC BRUSSELS 10129, 12/23/74,
C. EC A-291, 12/18/74

1. BEGIN SUMMARY. THE MEMBER STATES' REPRESENTATIVES CONTINUE TO
DEBATE THE PROVISION OF THE COMMISSION'S DRAFT DIRECTIVE TO
HARMONIZE EC BANKING REGULATIONS. THERE IS GENERAL AGREEMENT,
HOWEVER, THAT THE COUNCIL SHOULD ADOPT AN UMBRELLA DIRECTIVE
AND A FINAL DECISION IS EXPECTED SOME TIME IN THE FIRST HALF
OF 1976. END SUMMARY

2. AN EC COUNCIL SELECT COMMITTEE IS STILL CONSIDERING THE
COMMISSION DRAFT DIRECTIVE TO HARMONIZE REGULATIONS GOVERNING
THE ESTABLISHMENT AND CONTROL OF BANKING BUSINESS IN THE EC.
THE COMMITTEE IS IN GENERAL AGREEMENT ON THE NEED TO ADOPT
SUCH A DIRECTIVE BUT MEMBER STATE REPRESENTATIVES DIFFER ON
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SEVERAL PROVISIONS. AS A RESULT, THE COUNCIL OF MINISTERS IS NOT

LIKELY TO ACT ON THE PROPOSAL UNTIL APRIL OR MAY 1976.

3. PROPOSED CONTACT COMMITTEE: THE MEMBER STATES DISAGREE OVER THE SCOPE AND ROLE OF A CONTACT COMMITTEE TO DRAFT FUTURE BANK LEGISLATION AND COORDINATE BANK REGULATIONS. SEVERAL MEMBERS STATES WOULD LIKE TREASURY OFFICIALS TO BE REPRESENTED ON THE COMMITTEE WHILE THE COMMISSION AND OTHERS PREFER CENTRAL BANK CONTROLLERS TO MAKE UP THE GROUP. THE COMMISSION WOULD ALSO LIKE THE COMMITTEE TO OVERSEE FOREIGN EXCHANGE AND EUROCURRENCY OPERATIONS, BUT SEVERAL MEMBER STATES ARE OPPOSED TO THIS ADDITIONAL ROLE. A COMPROMISE IS UNDER CONSIDERATION TO ALLOW THE COMMITTEE TO TAKE UP EMERGENCY CASES INVOLVING THE FINANCIAL SECURITY OF A BANK IF ALL OF THE MEMBER STATES AGREE.

4. THE COMMISSION ASKED THE EC CENTRAL BANK GOVERNORS COMMITTEE TO GIVE ITS VIEWS ON THE DIRECTIVE. THE GOVERNORS REPORTEDLY OPPOSED GIVING THE CONTACT COMMITTEE A SUPERVISORY ROLE IN EMERGENCY SITUATIONS BECAUSE THE BLUNDEN COMMITTEE OF THE G-10 CENTRAL BANKERS COMMITTEE IS ALREADY INVOLVED IN SUCH SURVEILLANCE ACTIVITIES. THE GOVERNORS, HOWEVER, WERE IN GENERAL AGREEMENT WITH THE DRAFT DIRECTIVE.

5. DIRECTIVE COVERAGE: THE COMMISSION PROPOSED APPLYING THE DIRECTIVE TO ALL CREDIT INSTITUTIONS. THE UK AND OTHERS, HOWEVER, WANT TO LIMIT COVERAGE JUST TO "HARD-CORE" BANKS SUCH AS CLEARING LAND ACCEPTANCE HOUSES RATHER THAN ALL CREDIT INSTITUTIONS. THE COUNCIL COMMITTEE IS CONSIDERING A COMPROMISE TO ALLOW A TWO-YEAR RENEWABLE DEROGATION TO EXEMPT CERTAIN INSTITUTIONS FROM THE DIRECTIVE. THE UK PLANS TO INTRODUCE LEGISLATION TO ESTABLISH LICENSING PROCEDURES WHICH WOULD CONFORM TO THE PROVISIONS OF THE DIRECTIVE.

6. THIRD-COUNTRY BANKING: SEVERAL MEMBER STATES, ESPECIALLY FRANCE, OPPOSE AUTHORIZING THE COMMUNITY TO CONCLUDE RECIPROCAL BANKING AGREEMENTS WITH THIRD COUNTRIES. THE UK HAS ALSO PLACED A RESERVATION ON THIS PROVISION FOR THE TIME BEING BECAUSE OF ITS GENERAL RELUCTANCE TO HAVE THE EC EXPAND ITS COMPETENCE. OUR SOURCES EXPLAIN THAT THIS RESERVATION IS IN LINE WITH THE UK DESIRE TO HAVE A SEPARATE SEAT AT THE CIEC CONFERENCE. LIMITED OFFICIAL USE

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7. SOLVENCY RATIOS: SEVERAL MEMBER STATES OPPOSE INCLUDING SPECIFIC SOLVENCY RATIOS IN THE DIRECTIVE. THE COUNCIL COMMITTEE IS PLANNING TO ASK THE CONTACT COMMITTEE TO LOOK INTO SOLVENCY AND LIQUIDITY REQUIREMENTS.

8. COMMENT. IF THE COUNCIL FAILS TO ACT BY MARCH, COMMISSION OFFICIALS THREATEN TO SEEK COUNCIL ACTION ON LAST YEAR'S

PROPOSAL (REF B) TO SET UP A CONTACT COMMITTEE IMMEDIATELY
WITHOUT WAITING FOR A DECISION ON THE UMBRELLA DIRECTIVE.
PERMDEL SOURCES BELIEVE, HOWEVER, THE COUNCIL WOULD REFUSE
TO ACT SEPARATELY ON THE CONTACT COMMITTEE. END COMMENT.
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